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Released: December 29, 2005

**DOMESTIC SECTION 214 APPLICATIONS FILED FOR THE TRANSFER OF
CONTROL OF VALOR COMMUNICATIONS GROUP, INC. AND ITS SUBSIDIARIES
FROM VALOR COMMUNICATIONS GROUP, INC. TO NEW VALOR, AND THE
TRANSFER OF CONTROL OF ALLTEL HOLDING CORP. AND ITS SUBSIDIARIES
FROM ALLTEL CORPORATION TO NEW VALOR**

NON-STREAMLINED PLEADING CYCLE ESTABLISHED

WC Docket No. 05-354

Comments Due: January 12, 2006

Reply Comments Due: January 19, 2006

On December 21, 2005, Valor Communications Group, Inc. ("Valor") and New Valor ("New Valor") (together, "Applicants"), filed an application, pursuant to sections 63.03 and 63.04 of the Commission's rules,¹ seeking authority for the transfer of control of Valor and its subsidiaries from Valor, as presently owned, to New Valor, as it will be owned following a merger between Valor and ALLTEL Holding Corp. ("AHC"), a wholly owned subsidiary of ALLTEL Corporation ("ALLTEL"). Additionally, the Applicants filed pro forma transfer of control applications for approval for the transfer of control of AHC and its subsidiaries from ALLTEL to New Valor.²

Applicants request that the Commission exercise discretion to apply the streamlined procedures to their applications, as the transactions are not entitled to presumptive streamlined treatment under section 63.03(b)(2)(iii).³ However, because there are a number of adjacencies

¹ 47 C.F.R. §§ 63.03, 63.04; *see* 47 U.S.C. § 214.

² Any action on this domestic section 214 application is without prejudice to Commission action on other related, pending applications.

³ *See* 47 C.F.R. § 63.03(b)(2)(iii).

between ALLTEL's and Valor's incumbent LEC service areas, these applications are not subject to streamlined treatment.

Valor, a Delaware corporation, is the holding company owner of subsidiaries that offer a number of telecommunications services, including local exchange service. Through wholly owned subsidiary holding companies, Valor holds an indirect 100 percent interest in Valor Telecommunications of Texas, L.P. ("Valor Texas"), an incumbent local exchange carrier ("ILEC") that as of June 30, 2005 provides local exchange service in four states: Arkansas, New Mexico, Oklahoma, and Texas. Valor also holds an indirect 100 percent interest in Valor Telecommunications LD, LP ("Valor LD"), which provides interexchange and resold international services in those four states.⁴ Valor is also the parent company of Kerrville Communications Corp. ("KCC"), primarily a rural ILEC in Kerrville, Texas providing a number of communications services through other subsidiaries, including local exchange service. KCC subsidiaries Advanced Tel-Com Systems, LP ("ATS") and Texas RSA15B2 Limited Partnership d/b/a Five Star Wireless ("Five Star") provide resold international services. KCC subsidiary KCC TelCom, Inc. d/b/a K2C is a competitive LEC in Bourne and Fredericksburg, Texas.

ALLTEL, a Delaware corporation, is a diversified telecommunications company that is publicly traded on the New York Stock Exchange ("NYSE"). Through its subsidiaries, ALLTEL provides wireless, local wireline telephone, long-distance, Internet, and broadband services to residential and business customers in 34 states. These services are provided in mid-sized cities and rural areas throughout much of the Southeast and portions of the Northeast, Southwest and upper Midwest. ALLTEL provides wireline service in 15 of these 34 states.⁵

AHC, a wholly owned subsidiary of ALLTEL, was formed to facilitate the proposed transaction. The current ALLTEL subsidiaries that conduct the wireline business and other businesses including directory publishing operations, information services, product distribution operations, and management service (other than such operations which support ALLTEL's wireless telecommunications business) will become subsidiaries of AHC. The ALLTEL subsidiaries offering wireless telecommunications services will not become subsidiaries of AHC.

⁴ Valor LD changed its corporate form from a limited liability company to a limited partnership in mid-2003.

⁵ These states are: Alabama; Arkansas; Florida; Georgia; Kentucky; Mississippi; Missouri; Nebraska; North Carolina; New York; Ohio; Oklahoma; Pennsylvania; South Carolina; and Texas. ALLTEL provides local exchange service through the following entities: ALLTEL Arkansas, Inc.; ALLTEL Alabama, Inc.; ALLTEL Florida, Inc.; ALLTEL Georgia, Inc.; Georgia ALLTEL Telcom, Inc.; ALLTEL Georgia Communications Corp.; Standard Telephone Company; Accucomm; Georgia Telephone Corporation; ALLTEL Kentucky, Inc.; Kentucky ALLTEL, Inc.; ALLTEL Mississippi, Inc.; ALLTEL Missouri, Inc.; ALLTEL Nebraska, Inc.; ALLTEL New York, Inc.; ALLTEL Carolina, Inc.; ALLTEL Ohio, Inc.; Western Reserve Telephone Company; ALLTEL Oklahoma, Inc.; Oklahoma ALLTEL, Inc.; ALLTEL Pennsylvania, Inc.; ALLTEL South Carolina, Inc.; Texas ALLTEL, Inc.; and Sugar Land Telephone Company.

New Valor will be the same corporate entity as Valor, but likely with a new name as the surviving entity in the merger transaction.⁶ Subsidiaries of New Valor will include the current subsidiaries of Valor as well as subsidiaries of AHC. These subsidiaries will continue to operate (likely under new names) the businesses currently operated by subsidiaries of Valor and the wireline and related businesses currently operated by subsidiaries of ALLTEL. New Valor will be a publicly traded company with no 10 percent or greater interest holders after the consummation of the transaction.

The overall transaction consists of a spin-off by ALLTEL to its stockholders of ALLTEL's wireline and certain other businesses as held by subsidiaries of AHC followed by a merger of AHC into Valor. This proposed transaction will be comprised of four distinct steps.

Step 1 will involve the transfer of certain assets to the ALLTEL subsidiaries that are to become subsidiaries of AHC to effectuate the separation of ALLTEL's wireless businesses from its wireline businesses. It is not expected that any FCC licenses will be assigned to a different licensee as part of this preliminary restructuring.

Step 2 will involve the contribution/transfer of stock of certain ALLTEL subsidiaries from ALLTEL to AHC. As a result of this transfer, the assets of ALLTEL's wireline and certain other non-wireless businesses will be held by subsidiaries of AHC in the ALLTEL corporate structure.⁷

In Step 3, ALLTEL will distribute all the shares of AHC to the ALLTEL stockholders. However, these shares of stock will be issued to a Distribution Agent for the purposes of completing the merger in Step 4.

In Step 4, AHC will merge into Valor. Valor will issue approximately 400 million new shares of stock, each share of outstanding stock of AHC will be converted into 1.05 shares of stock of Valor, and the Distribution Agent will then distribute such shares of Valor stock to the stockholders of ALLTEL. Upon completion of the proposed merger, Valor will be the surviving corporation (referred to herein as New Valor), and the stockholders of ALLTEL will own 85 percent of the common stock of New Valor and the pre-merger stockholders of Valor will own 15 percent of the common stock of New Valor.⁸

⁶ The new name, if any, has not yet been determined.

⁷ In consideration for the stock of these subsidiaries, AHC will issue additional shares of AHC stock to ALLTEL, will issue notes to ALLTEL, and will pay a special cash dividend to ALLTEL.

⁸ As mentioned previously, the corporate name of Valor will likely be changed immediately following completion of the merger. The names of the AHC subsidiaries will also likely be changed upon completion of the merger. The initial Board of Directors of New Valor will consist of nine (9) members as follows: the Chairman of the Board of Directors of AHC; the Chief Executive Officer of AHC; six (6) persons designated by ALLTEL (at least four (4) of whom are to be "independent directors" under the rules of the NYSE); and one (1) person designated by Valor (which person is to be an "independent

As a result of the overall transaction, there will be a transfer of control of AHC and its new subsidiaries from ALLTEL to New Valor. However, the existing stockholders of ALLTEL will be in control of New Valor following the completion of the proposed transaction. Therefore, there will be no substantial change in the ultimate ownership and control of AHC and its subsidiaries and the transfer of control of those entities are pro forma in nature. There will also be a transfer of control of the subsidiaries of Valor from Valor to New Valor. Because the existing stockholders of ALLTEL will control New Valor upon consummation, such transfer of control will result in a substantial change in the ultimate control over Valor subsidiaries holding FCC licenses and authorizations.

Applicants assert that the proposed establishment of New Valor creates an independent, stand-alone wireline-centric corporation that serves the public interest by allowing ALLTEL's separated ILECs to focus squarely on enhancing their local wireline operations, and combines with Valor's complementary markets with favorable rural characteristics, thereby allowing New Valor to better deliver a broadening range of high quality services to local residential and business customers. Additionally, the Applicants state that the transaction will be virtually transparent to customers of both ALLTEL and Valor. Further, the Applicants note that the combined company will hold less than 10 percent of the interstate, interexchange market and have fewer than 2 percent of the nation's aggregate installed subscriber lines. Applicants state that there are also no overlapping service areas between ALLTEL's and Valor's LEC markets and only a small number of adjacent exchange areas.

GENERAL INFORMATION

The transfer of assets identified herein has been found, upon initial review, to be acceptable for filing as a streamlined application. The Commission reserves the right to return any transfer of assets application if, upon further examination, it is determined to be defective and not in conformance with the Commission's rules and policies. Pursuant to sections 1.415 and 1.419 of the Commission's rules, 47 CFR §§ 1.415, 1.419, interested parties may file **comments on or before January 12, 2006 and reply comments on or before January 19, 2006.**⁹ Comments may be filed using: (1) the Commission's Electronic Comment Filing System (ECFS), (2) the Federal Government's eRulemaking Portal, or (3) by filing paper copies. See Electronic Filing of Documents in Rulemaking Proceedings, 63 FR 24121 (1998).

- Electronic Filers: Comments may be filed electronically using the Internet by accessing the ECFS: <http://www.fcc.gov/cgb/ecfs/> or the Federal eRulemaking Portal: <http://www.regulations.gov>. Filers should follow the instructions provided on the website for submitting comments.
- For ECFS filers, if multiple docket or rulemaking numbers appear in the caption of this proceeding, filers must transmit one electronic copy of the comments for each

director" under the rules of the NYSE). These directors will serve staggered terms so that three (3) directors will be elected by the stockholders of New Valor each year going forward.

⁹ See 47 C.F.R. § 63.03(a).

docket or rulemaking number referenced in the caption. In completing the transmittal screen, filers should include their full name, U.S. Postal Service mailing address, and the applicable docket or rulemaking number. Parties may also submit an electronic comment by Internet e-mail. To get filing instructions, filers should send an e-mail to ecfs@fcc.gov, and include the following words in the body of the message, "get form." A sample form and directions will be sent in response.

- **Paper Filers:** Parties who choose to file by paper must file an original and four copies of each filing. If more than one docket or rulemaking number appears in the caption of this proceeding, filers must submit two additional copies for each additional docket or rulemaking number.

Filings can be sent by hand or messenger delivery, by commercial overnight courier, or by first-class or overnight U.S. Postal Service mail (although we continue to experience delays in receiving U.S. Postal Service mail). All filings must be addressed to the Commission's Secretary, Office of the Secretary, Federal Communications Commission.

The Commission's contractor will receive hand-delivered or messenger-delivered paper filings for the Commission's Secretary at 236 Massachusetts Avenue, N.E., Suite 110, Washington, D.C. 20002. The filing hours at this location are 8:00 a.m. to 7:00 p.m. All hand deliveries must be held together with rubber bands or fasteners. Any envelopes must be disposed of before entering the building. Commercial overnight mail (other than U.S. Postal Service Express Mail and Priority Mail) must be sent to 9300 East Hampton Drive, Capitol Heights, MD 20743. U.S. Postal Service first-class, Express, and Priority mail should be addressed to 445 12th Street, S.W., Washington D.C. 20554.

People with Disabilities: To request materials in accessible formats for people with disabilities (braille, large print, electronic files, audio format), send an e-mail to fcc504@fcc.gov or call the Consumer & Governmental Affairs Bureau at 202-418-0530 (voice), 202-418-0432 (tty).

You may submit comments, identified by the above noted docket number, by any of the following methods:

- **Federal eRulemaking Portal:** <http://www.regulations.gov>. Follow the instructions for submitting comments.
- **Federal Communications Commission's Web Site:** <http://www.fcc.gov/cgb/ecfs/>. Follow the instructions for submitting comments.
- **People with Disabilities:** Contact the FCC to request reasonable accommodations (accessible format documents, sign language interpreters, CART, etc.) by e-mail: FCC504@fcc.gov or phone: 202-418-0530 or TTY: 202-418-0432.

In addition, one copy of each pleading must be sent to each of the following:

- (1) The Commission's duplicating contractor, Best Copy and Printing, Inc., 445 12th Street, S.W., Room CY-B402, Washington, D.C. 20554, www.bcpweb.com; phone: (202) 488-5300 fax: (202) 488-5563;
- (2) Tracey Wilson-Parker, Competition Policy Division, Wireline Competition Bureau, 445 12th Street, S.W., Room 5-C212, Washington, D.C. 20554; email: tracey.wilson-parker@fcc.gov;
- (3) Adam Kirschenbaum, Competition Policy Division, Wireline Competition Bureau, 445 12th Street, S.W., Room 5-C211, Washington, D.C. 20554; e-mail: adam.kirschenbaum@fcc.gov;
- (4) Susan O'Connell, Policy Division, International Bureau, 445 12th Street, S.W., Room 7-B544, Washington, D.C. 20554; email: susan.o'connell@fcc.gov; and
- (5) James Bird, Office of General Counsel, 445 12th Street, S.W., Room 8-C824, Washington, D.C. 20554; e-mail: james.bird@fcc.gov.

Filings and comments are also available for public inspection and copying during regular business hours at the FCC Reference Information Center, Portals II, 445 12th Street, S.W., Room CY-A257, Washington, D.C. 20554. They may also be purchased from the Commission's duplicating contractor, Best Copy and Printing, Inc., Portals II, 445 12th Street, S.W., Room CY-B402, Washington, D.C. 20554, telephone: (202) 488-5300, fax: (202) 488-5563, or via e-mail www.bcpweb.com.

For further information, please contact Tracey Wilson-Parker at (202) 418-1394, or Adam Kirschenbaum at (202) 418-7280.

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